

construction is on a railroad right-of-way under an easement, borrowers shall purchase a general liability policy that specifically includes this necessary insurance coverage.

§ 1788.34 Pollution exclusion.

Liability policy forms exclude coverage for “bodily injury” or “property damage” arising out of the actual, alleged or threatened discharge, dispersal, release or escape of pollutants. Borrowers may wish to discuss this exclusion with their insurance companies.

§ 1788.35 Liability requirements.

RUS requires borrowers have liability insurance on all motor vehicles, trailers, semitrailers, and aircraft used in the conduct of the borrower’s business, whether owned, nonowned, or hired by the borrower, with bodily injury limits of not less than \$1 million for each person and \$1 million for each occurrence, and property damage limits of \$1 million for each occurrence; in connection with aircraft liability, also passenger bodily injury limits of \$1 million per person and \$1 million for each occurrence.

§ 1788.36 Comprehensive requirements. requirements.

RUS requires borrowers have comprehensive or separate fire, theft, and windstorm insurance on all owned motor vehicles, trailers, and aircraft having a unit value in excess of \$1,000. The amount of coverage shall not be less than the actual cash value of the property insured.

§ 1788.37 Coverage requirement.

Borrowers shall have fire insurance, including the extended coverage endorsement, on each building and its contents, and on each storage location of materials, supplies, poles, and cross-arms having a value at any one location in excess of \$5,000, or in excess of 1 percent of the total plant value, whichever is larger. Such coverage shall be in an amount of not less than 80 percent of the current cost to replace the property new, less depreciation. Surveys should be conducted periodically, every two years at a min-

imum, to establish property values on an actual cash value basis.

§ 1788.38 RUS endorsement.

When the borrower is one of several affiliated companies and the coverage is provided by naming the borrower as one of several insureds under a single policy, the policy shall be amended to include the provisions of the RUS Endorsement in § 1788.5(b).

§ 1788.39 Types of fire insurance policies.

A fire insurance policy may be written on the following basis:

- (a) Specified amount basis.
- (b) Blanket form basis.

(c) Monthly reporting form basis. The reporting type of policy should include the limit of liability for each location. Whenever it appears that the value at any one location may exceed the limit of liability included in the policy, an endorsement to the policy should be promptly secured increasing the limit of liability for that particular location.

(d) Inland Marine Floater basis. Floater form policies on an all-risk basis are recommended to provide coverage for construction equipment, radio/telephone equipment, and pay stations furnished for use by subscribers and located on their premises or vehicles, and for radio or telephone equipment installed in borrowers’ vehicles, for equipment being transported, and for materials stored at various locations.

§ 1788.40 Coverage requirement.

Borrowers shall purchase and maintain flood insurance for buildings in flood hazard areas to the extent available and required under the National Flood Insurance Act of 1968, as amended by the Flood Disaster Protection Act of 1973 (Pub. L. 93-234). The insurance should cover, in addition to the building, any machinery, equipment, fixtures, and furnishings contained in the building.

§ 1788.41 Endorsements required.

The National Flood Insurance Program provides for a standard flood insurance policy; however, other existing insurance policies which provide flood